



Citizen's Water Advisory Committee
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Citizen's Water Advisory Committee

MINUTES

The regular meeting of the Citizen's Water Advisory Committee was called to order by Frank Boyle, Chairperson, on Wednesday, October 4, 2006, at 7:00 a.m., in the Tucson Water Building, 310 West Alameda Street, Third Floor, Director's Conference Room, Tucson, Arizona.

1. Call to Order

Members Present:

Frank J. Boyle, Chair
Martin M. Fogel
Robert Emanuel
Carol Zimmerman
Robert Logan
Corina A. Baca
Evan Canfield
Ursula Kramer
James Horvath
James T. Barry
John R. Carhuff
Daniel J. Sullivan
Sarah T. Evans

Representing:

Ward 3
Mayor
Ward 1
Ward 2
Ward 4
Ward 5
Ward 6
City Manager
City Manager
City Manager
City Manager
City Manager
City Manager

Members Absent:

Keith Gentzler, Vice Chair

Representing:

City Manager

Others Present:

David Modeer, Utility Services Department, Director; Marie Pearthree, Utility Services Department, Water Division, Deputy Director; Dennis Rule, David Cormier, Barbara Buus, Fernando Molina, John Thomas, Karen LaMartina, Barbara Dildine, Nancy Gradillas, Linda Smith, Priscilla Bejar, Ralph Marra, Sandy Elder, Trucynda Hawkins, Ray Wilson, Jeff Biggs, Bruce Johnson, Tim Thomure, Joe Huerstel, Tom Victory, John O'Hare, Mitch Basefsky, Melodee Loyer, Belinda Oden, Patricia Eisenberg, Dee Korich, Utility Services Department, Water Division; Council Member Carol West, Ward 2; Karen Masbruch, Assistant City Manager; Lori Lustig, Southern Arizona Home Builders Association; Tina Lee, Ward 2, Council Administrative Assistant; Holly Lachowicz, Ward 3, Council Administrative Assistant; Byron Howard, City Manager's Office, Special Projects Manager; Frank Kern, Chris Avery, City Attorney's Office; Jeanette Hinton, Budget and Research Department; Karen Wilson, Pima County Regional Flood Control District; Bill Richardson, Pima County Wastewater Department, Senior Administrative Services Manager; Priscilla Storm, Vince Vasquez, Diamond Ventures, Inc.; Anne Mehochko, Tucson Association of Realtors; Deborah Tosline, U.S. Bureau of Reclamation; Diane Kusel, Arizona Department of Water Resources; Claire Zucker, Pima Association of Governments; Jim Kiser, Southern Arizona Leadership Council; Kathy Wilson, Pima County Regional Flood Control District; Dave Devine, Tucson Weekly; Chuck Freitas, Citizen; Michelle R. Flanagan, Recording Secretary, City Clerk's Office.

2. Approval of Minutes – September 6, 2006

Committee Member Robert Logan requested amending the minutes of September 6, 2006 inserting: “He requested that Mr. Huckelberry be invited to the October 2006 CWAC meeting.” after the last paragraph of Item 12 on page 10.

Motion by Committee Member John Carhuff, duly seconded, and carried with no objections, to approve the minutes of September 6, 2006, as amended.

3. Call to Audience

Chuck Frietas, citizen, stated the Regional Water Authority issue should be referred to the Mayor and Council Environment, Planning and Resource Management Subcommittee.

Council Member West thanked everyone for serving on the CWAC and reminded the committee that their primary charge was as an advisory on rate planning. She requested that the CWAC address the Mayor and Council Environment, Planning and Resource Management Subcommittee regarding the Regional Water Authority issue.

4. Director’s Report

David Modeer, Utility Services Department Director, reported the following items were presented to Mayor and Council:

- Mr. Modeer said water sales and other revenues were considerably below the planned amount and will be monitored closely against the utility’s spending. He added it would be difficult to make up the decline in revenue during the winter months. It is anticipated that Tucson will receive hot, dry weather during Spring due to “El Nino” condition forecasts.
- He said that the CIP budget for this fiscal year was 60.3 million dollars. Approximately 7 million dollars was spent the first quarter. Last year 6 million dollars was spent this quarter, so spending is ahead of schedule. He added he would provide another CIP update at the end of the second quarter.

5. Upcoming Mayor and Council Items

David Modeer, Utility Services Department Director, reported the following items:

- Mr. Modeer stated he would be addressing the Mayor and Council Environment, Planning and Resource Management Subcommittee to discuss the Central Arizona Water Conservation District’s Strategic Plan. He would then report to the CWAC with a full update. A major issue involved with the Strategic Plan was a decision for CAP to be the lead agency in seeking additional water supplies and bringing those supplies to Central and Southern Arizona.
- A State Water Advisory Group was conducting meetings for approximately eight months. The group was focused on trying to resolve rural water issues, however, financing issues could impact the CAP service areas in Maricopa, Pinal and Pima Counties. Mr. Modeer stated it was difficult to reach agreements and there was no consensus on management structures.

- On October 13, 2006, a proposal dealing largely with funding of water projects and water development in the rural areas would be presented to the State Water Advisory Group. Discussions would entail moving forward with a proposal to address mechanisms for funding of the development and construction of water facilities. There are concerns as to where the revenue would be acquired.
- Discussions continued with the Colorado River lower basin states regarding an agreement between California, Nevada and Arizona relating to shortage criteria and how much percentage would be shared instead of Arizona taking one hundred percent of the shortage. California would not be taking a share of the shortage. Discussions continued with Nevada and Arizona. Proposals have been made relating to proportional sharing based upon the proportion of Colorado River water allocated to Nevada and Arizona. Based on mathematical findings, Nevada would only need to take four percent of the shortage and Arizona would take ninety-six percent. From decisions made subsequent to the 1922 Compact, Arizona believed that their percentage should be 7.4 percent for Nevada and 92.6 percent for Arizona. Mr. Modeer stated the Colorado River was not currently healthy. He said approximately 63 percent was the last forecast for runoff for the past season.
- On October 1, 2006, the water kiosks opened for the taste preference and four hundred surveys were completed. Tucson and Park malls received a high volume of traffic. The mobile kiosk would be available at the Home Show on Saturday and Sunday, October 7 through 8, 2006. Monthly updates would be available at Tucson Water's website.

The taste preference analysis was completed. Approximately one hundred consumers were selected City-wide. About seventy-five percent of the citizens were in favor of the 450 TDS level, which related the need to construct a reverse osmosis treatment plant.

Discussion followed.

6. Regional Water Issues

- a. Evaluation of Regional Efforts to Acquire Water – Next Steps**
- b. Evaluation of Regional Water/Wastewater Efforts – Next Steps**
- c. Feasibility Study for Establishing a Regional Water Wastewater Authority**

- Issue (a) is a proposal from the Southern Arizona Water Users Association (SAWUA) to devise a structure to jointly compete for additional water resources within the State of Arizona. This proposal was reviewed by CWAC at its April 2006 meeting. CWAC stated at that meeting that it was in favor of efforts by regional water servers in Pima County to seek as a group additional water supplies. However, it suggested that the outline of how these efforts would be undertaken needed additional work and development.
- Issue (b) relates to two letters, dated February 14, 2006 and May 1, 2006, from Mr. Huckelberry to Mr. Hein calling for the joint funding by the City of Tucson and Pima County of an independent study to determine the feasibility of establishing a regional water authority to consolidate the provision of water distribution and wastewater treatment in Pima County.

- Item (c) relates to an understanding reached during the September 2006 CWAC meeting to pass a resolution to set forth recommendations and/or next steps on issues (a) and (b).
- Chair Boyle said he had several conversations with Council Member Karin Uhlich and distributed a letter, written by Council Member Uhlich, to the CWAC. The letter stated that the Mayor and Council Environmental, Planning and Resource Management Subcommittee would like to ask specific questions in which the CWAC could provide assistance on regionalization.
- Chair Boyle and Committee Member Daniel Sullivan met with Mr. Hein. Mr. Hein requested that the CWAC conduct an evaluation to recommend what the next steps should be regarding regional efforts to acquire water resources, to include possible combinations of water utilities and wastewater providers in Pima County. Chair Boyle suggested that the evaluation be done within the Technical/Planning & Policy meeting for input to CWAC at a subsequent meeting.

Discussion followed.

Motion by Committee Member Sullivan, duly seconded, and carried by a vote of 13 to 0, for CWAC to take on the revisal and study, in unison with the Environmental, Planning and Resource Management Subcommittee, and to send a recommendation to Mayor and Council within a reasonable time.

Committee Member Robert Emanuel questioned as to whether the study was outside the scope of the CWAC's abilities to perform such function.

Chair Boyle responded by reciting a portion of the Tucson City Code, Chapter 27, Article III, Section 27-61, which defined the functions and purposes of the CWAC. He quoted the Code by stating, "Review and make recommendations on policies effecting those water issues which the committee deems appropriate."

7. FY 2008-2012 CIP

David Cormier, Utility Services Department, Water Division gave a presentation. The information was previously presented to the CWAC Finance Subcommittee for review.

- Sandy Elder, Utility Services Department, Water Division, continued with the presentation. He stated the CIP has approximately one-hundred fifty projects spread across several categories including resources, infrastructure, development and growth, reclaimed and general.
- Mr. Elder stated the resource category comprised 52 percent of the CIP and will allow TW to expand its CAP recharge and recovery operations in Avra Valley. He stated the infrastructure category comprised 21 percent of the CIP. He said Tucson Water needed to continue investing in water pipes as some of them were at least eighty years old. The booster reservoirs also needed attention. The next category was development and growth. Mr. Elder said the main portion of the five-year CIP was spread across projects for communities and their development, such as transmission mains and reservoirs on the southeast side of I-10. He continued with the reclaimed category and said it had much greater funding prior to developing the current five-year CIP plan as money was being moved to fund projects that would allow the community to use more CAP water. The last category discussed was the

general category, which consisted of projects in the general plant and treatment division. Those projects would provide improvements to the satellite facilities and computer and security systems.

Discussion followed.

Council Member John Carhuff questioned if there would be a reduction in the CAP.

David Modeer, Utility Services Department Director, stated there would be no impact on the purchase of CAP water or the construction of CAP facilities

Chairperson Frank Boyle stated when the CWAC completed last year's five-year capital program, they ensured there was enough capital in the program to accomplish the recharge of one hundred percent of the CAP water. The program did not include enough dollars to accomplish full recovery of that water. He said the current budget would accomplish one hundred percent recharge and recovery by 2012.

8. FY 08 O&M Budget

David Modeer, Utility Services Department Director, gave a brief overview of how Tucson Water viewed the O&M budget for 2006.

David Cormier, Utility Services Department, Water Division, distributed a handout and proceeded with the presentation.

- The handout listed the O&M budget at 124.9 million dollars. The following was the breakdown of the O&M budget.

CAP Water	10%
Debt Service	29%
Staffing	28%
Admin Service Charge	6%
Power	13%
Other Operating	15%

- Mr. Cormier continued with the comparison of the major O&M elements from 2007 to 2008. The power budget, which included electricity and gas, was increased by 1.6 million dollars. The CAP water, which included the capital and commodity charges, was increased by 3.3 million dollars in FY 2008. Tucson Water would be purchasing an additional 20,000 acre-feet of CAP water. The direct and indirect administrative service charges had small increases, \$142,000 and \$270,000, respectively.

Mr. Cormier, along with other Tucson Water staff, plan to meet with the CWAC Finance Subcommittee the week of October 16, 2006. A full copy of the budget would be distributed to the Subcommittee to include line items by division.

Discussion followed.

Chairperson Frank Boyle requested that Mr. Cormier state what the rate increases were in last year's five-year plan.

Mr. Cormier said the FY 2006 – FY 2011 financial plan, approved last summer by the Mayor and Council provided for a 4.6% revenue increase effective in August 2006, and 5% increases effective in July in each remaining year in the Plan.

9. Water Resource Fee

David Modeer, Utility Services Department Director, gave a brief overview. He stated the issue of the water resource fee (WRF) entailed the acquisition of additional resources to provide for the long-term viability and growth of the community.

David Cormier, Utility Services Department, Water Division, distributed a handout and proceeded with the presentation.

- The handout stated that Tucson Water uses several mechanisms to ensure growth. The mechanisms included:
 - * Direct developer contribution of distribution system and system improvements related specifically to new development projects.
 - * Development fees, including the central system's System Equity Fee (SEF) and the Diamond Bell and Santa Rita –Bel Air Isolated System Fees.
 - * Financing of the Capital Program with Bonds, thereby spreading the costs over 15-20 years (and thereby recovering costs through all future customers).

Mayor and Council requested that Tucson Water inquire about assessing a fee related to obtaining water.

- Mr. Cormier continued with the development fees. The Arizona State Statute states:
 - * Development fees shall result in a beneficial use to the development.
 - * Monies received from development fees shall be placed in a separate fund and accounted for separately and may only be used for the purposes authorized.

Any Tucson Water WRF's collected would be restricted for use on resource acquisition or the delivery/treatment of that new water resource. The fees would be used as the water resources were purchased or the related capital projects were constructed.

- Mr. Cormier stated any development fees established need to be supported by projected underlying costs. Tucson Water was scheduled to purchase 8,206 acre-feet of Colorado River water by 2008. The cost would be 6.5 million dollars or \$797 dollars per acre-foot. The new water resource would provide the water needed to serve 24,700 meter connections, or approximately 4-5 years of system growth.
- In order to acquire the allocation Tucson Water must pay its capital charges, as determined by the State agency administering the CAP, back to 1994, plus annual interest, including the Central Arizona Water Conservation District (CAWCD) administrative fees. The CAWCD indicated that the amount due may be paid over a five-year period at an annual rate of five percent. The initial WRF would result in a one-time fee of \$265 dollars for a standard residential meter connection. Future water acquisitions would very likely be priced much higher. Tucson Water staff would be working to identify options and would return to the CWAC and Mayor and Council with the options and costs.

- Mr. Cormier gave the following outline of activities for providing Mayor and Council and the community information to consider regarding implementation of a WRF:

- * October 4, 2006 Presentation of WRF Fee to CWAC
- * October 2006 CWAC Finance Subcommittee review and vote.
Presentation of material to SAHBA
- * November 1, 2006 CWAC vote on WRF.
- * Mid November Presentation to, and vote by Mayor and Council
Environmental, Planning and Resource
Management Subcommittee
- * November/December Meetings with SAHBA and Council offices
- * January 9, 2007 Mayor and Council Study and Regular Sessions:
1. Review report
2. Notice of intent to establish new fees
3. Schedule public hearing
- * March 13, 2007 Mayor and Council Regular Session – Hold public
hearing (60-day notice required)
- * March 27, 2007 Mayor and Council Regular Session – Adoption of
new fees (14 days after public hearing)
- * July 2, 2007 Fees become effective.

Mr. Cormier added that Tucson Water was updating the SEF, a fee that was established for the central system connections.

Discussion followed.

10. Tucson Water Drought Preparedness Plan

Dennis Rule, Utility Services Department, Water Division, gave a brief overview prior to the presentation.

The Drought Preparedness Plan was developed as required by all water providers in the State of Arizona. The Arizona Department of Water Resources issued a guidance document for the preparation of the plan. It was not a plan to measure a drought. The plan would evaluate and measure the impact of drought conditions on Tucson's water resources. Preparedness measures were developed for an impact as well as responses. Water providers' plans throughout the State of Arizona have already been adopted. Tucson Water is the only regional water provider directly using CAP water. A list of triggers in the drought plan were decisions by the Secretary of Interior related to the Colorado River and the shortage conditions. If the river approached shortage conditions, the Secretary would annually declare a shortage, which would impact Tucson Water's CAP allocation. An additional trigger was the groundwater assessment including the well fields and the ability to meet demands. The system engineers with Tucson Water did not anticipate a drought; however, conservation measures would be in place should the water levels decline.

Linda Smith, Utility Services Department, Water Division, gave a presentation based on the handouts submitted to the CWAC prior to the October 4, 2006 meeting. She thanked the Education and Conservation Committee Members Robert Emanuel, Corina Baca, Evan Canfield and Martin Fogel for their input and assistance with the drought plan.

- The drought plan consisted of four stages: water alert, water warning, water emergency and water crisis. Ms. Smith stated Tucson was currently in a drought and, if the plan was already approved by Mayor and Council, the City would be in a Stage 1 water alert. The drought indicators were listed as follows:
 - * Colorado River Conditions
 - * Local Drought Conditions
 - * Local System Indicators
- Ms. Smith advised that the Tucson Water Management Group would meet once a year, in October or November, to discuss shortage conditions. They would then determine what stage alert the City was in. For Stage 1 or 2, the City Manager would be advised of the findings via the Water Director and declare a drought response stage. There would then be a declaration and public notification. For Stages 3 or 4 the Mayor and Council would make the declaration. Tucson Water would enforce strict, mandatory measures not only for City departments, but for the water customers as well.

Discussion followed.

Karen LaMartina, Utility Services Department, Water Division, continued with the presentation providing information on the indicators, triggers and response measures.

- Ms. LaMartina stated indicators could be measured on how a drought might impact water availability and system operations. Triggers were the values assigned to the indicators. Tucson Water received two sources of water, Colorado River water and groundwater. Regional system indicators monitored the Colorado River water and local system indicators monitored the groundwater. Ms. LaMartina said the local system indicators were more advisory in nature. Tucson Water's drought plan did not include weather conditions. The Arizona Department of Water Resources (ADWR) would track that information and then provide it on their website, including the drought stage. Should the ADWR declare a drought above normal, Tucson Water would use that as a trigger to move into Stage 1.

The Regional Indicators were as follows:

- * Colorado River shortages and associated CAP reductions
- * Arizona Department of Water Resources drought stage above "normal"

Water Alert Stages - Regional Indicators:

Stage 1

Severe and sustained drought in the Colorado River watershed and/or ADWR declares drought in Tucson's climate division of the state.

Stage 2

Secretary of Interior declares shortage on Colorado river with CAP deliveries to excessive and agricultural users reduced and/or Local System Indicator Values.

Stage 3

Continuing shortage on Colorado River with CAP deliveries to Municipal and Industrial (M&I) users reduced; and/or local system indicator values.

Stage 4

Continued shortage on Colorado River with additional reductions in CAP deliveries to M&I users, and/or local system indicator values.

The Local System Indicators were as follows:

- * Potable Production Capacity Index
A ratio of production capacity divided by average demand
- * Aquifer Storage Index
An index based on the total saturated thickness (from bottom of well screen to water level).
- * Reclaimed Production Capacity Index
Can operational requirements be met.

Water Alert Stages – Local System Indicators

Stage 1

Local system indicators are not a trigger in this stage but may be used for determination of required response actions.

Stage 2

One or more index numbers that are low or trending downward, in conjunction with ADWR declared drought, could trigger elevation of a drought response stage. Local system indicators may also be used to determine response actions.

Stage 3

One or more index numbers that are low or trending downward, in conjunction with ADWR declared drought, could trigger elevation of a drought response stage. Local system indicators may also be used to determine response actions.

Stage 4

One or more index numbers that are low or trending downward, in conjunction with ADWR declared drought, could trigger elevation of a drought response stage. Local system indicators may also be used to determine response actions.

Discussion followed.

Chairperson Frank Boyle indicated to change the “and/or” to reflect “or”. He also questioned exempt wells and cutbacks on reduction with those wells.

David Modeer, Utility Services Department Director, responded that no one had control over the exempt wells.

Chair Boyle asked if there was water banked in the State of Arizona. If so, he questioned how much was banked.

Mr. Modeer confirmed that over 2.3 million acre-feet has been stored by the Water Bank in Arizona.

Motion by Committee Member Robert Emanuel, duly seconded, and carried by a roll call vote of 13 to 0, for CWAC to accept the Drought Preparedness Plan and that it be included in a transmittal letter expressing any concerns that CWAC members have with the plan, and that it be forwarded to the Environmental, Planning and Resource Management Subcommittee with continuing guidelines among the other providers in the area.

11. Reclaimed Contracts

This Item was continued to the next CWAC meeting scheduled for November 1, 2006.

12. CWAC Agenda:

a. How Topics are Scheduled for the Agenda

- Chairperson Frank Boyle distributed a two-page handout to the CWAC. The subcommittee chairpersons meet twice a year to discuss what topics their subcommittees would like to explore at a future CWAC meeting. On a monthly basis, Chair Boyle prepares a draft agenda two weeks prior to a CWAC meeting. It takes into account what the ad hoc committees recommend for that month. He then provides David Cormier, Utility Services Department, Water Division, his list of agenda items. Mr. Cormier circulates the agenda among management. The management would also add agenda items. The agenda is then reviewed by the City Manager's office and then finalized three business days prior to the CWAC meeting.

Discussion followed.

b. CWAC Policy – Action Items Noted?

- Chair Boyle recommended that action items be designated on future agendas. Discussion followed.
The census of the CWAC was that action items would be indicated on future CWAC meeting agendas.

c. CWAC Meeting Times

- Chair Boyle stated eight CWAC members voted to start the CWAC meetings at 7:00 a.m. and six members voted for 7:30 a.m. The CWAC meetings would continue to start at 7:00 a.m.

13. Subcommittee Reports and Assignments

- Chair Boyle distributed a handout to the CWAC members. It listed the CWAC subcommittees. He said the three standing committees were the Education & Conservation Committee, the Technical/Planning & Policy Committee and the Finance Committee. He stated there were two ad hoc committees. One managed the agenda items for future CWAC meetings and the other managed the

nominations. A quorum, three members, must always be present to conduct the subcommittee meetings.

14. Future Agenda

No discussion was held.

15. Call to Audience

Lori Lustig, Southern Arizona Home Builders Association, stated the purchase or acquisition of water was a departure from a fee for the building or construction of an infrastructure. She requested a copy of the Water Resource Fee study and also to be notified of Finance Subcommittee meetings. She also requested that other organizations be notified, such as the Realtors Association and the Chamber of Commerce, as they would be affected by the fees.

Chair Boyle suggested that David Cormier, Utility Services Department, Water Division, provide Ms. Lustig a copy of the study.

16. Adjournment

Adjournment was at 9:10 a.m.